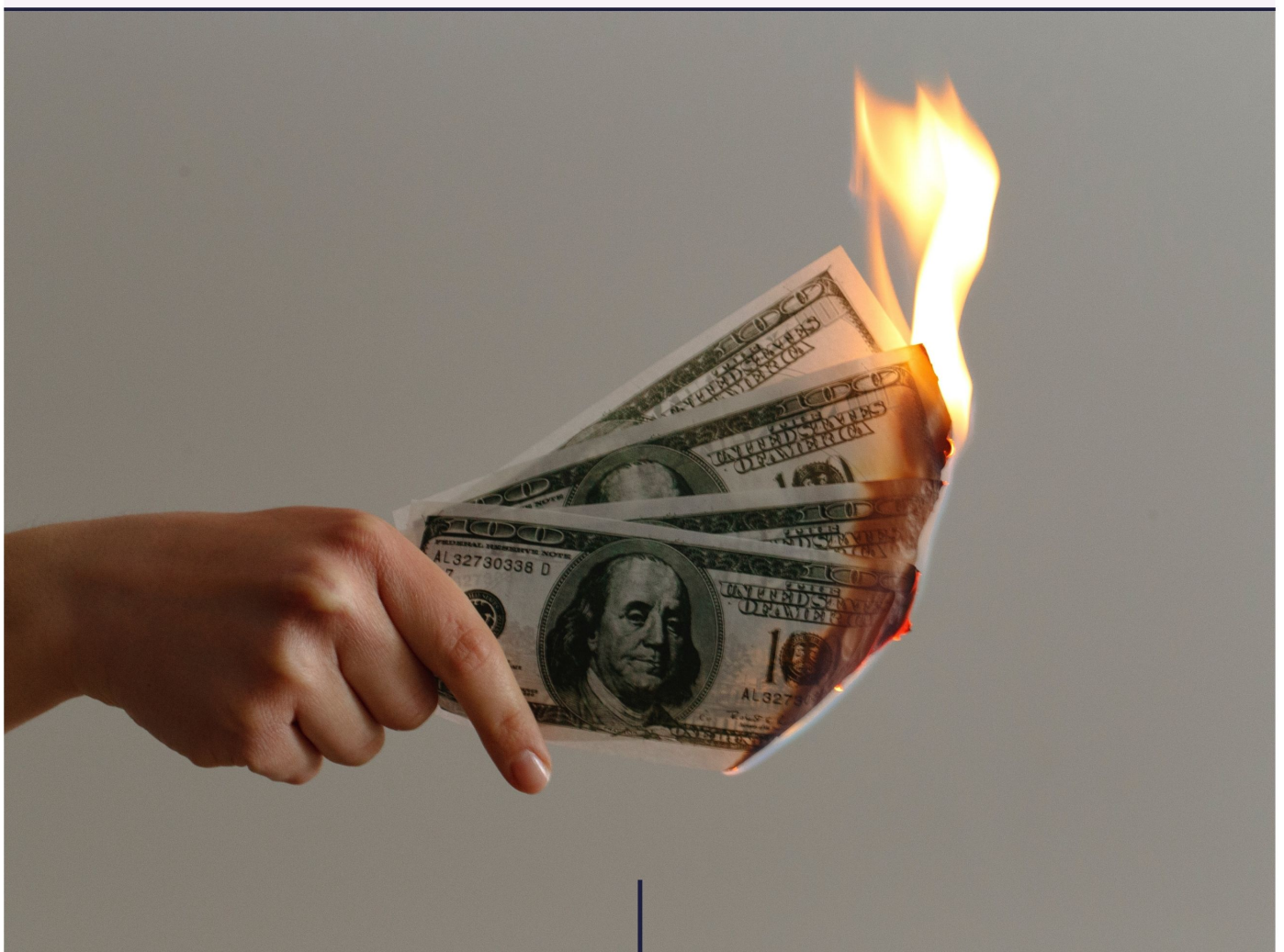


# 4 WAYS PROFESSIONALS COST THEMSELVES THOUSANDS WHEN BUYING A HOME

(AND HOW TO AVOID THEM)

MICHAEL MCGIVERN



# Welcome



Michael McGivern  
Realtor



## Hello

I'm Michael McGivern.

I currently live in Minneapolis. I've been a licensed realtor since 2016.

When I'm not working, I'm a music and comedy nerd and a Minnesota sports fan (God help me).

Thanks for checking this out. I'd love your feedback.

[hello@mikesellsmimmy.com](mailto:hello@mikesellsmimmy.com)

651.324.1815

## Let's get started!



## 4 WAYS PROFESSIONALS COST THEMSELVES THOUSANDS WHEN BUYING A HOME

### 1. Not understanding the full cost of ownership.

Many first-time home buyers only focus on the cost of the house itself. Besides making a down payment on a home, you'll need the following:

Set aside an extra 3% of the *sale price* for closing costs. You'll also pay for property taxes and homeowner's insurance.

If you put less than 20% down on a conventional mortgage, you'll pay a monthly private mortgage insurance fee. (it will cost about 1% of your monthly mortgage.) For an FHA loan, it's 0.55% of your monthly payment.

Budget about 1% of the home's **sales price** for annual home maintenance.

Also, the New York Times also has a "[Should You Buy or Rent?](#)" [tool](#). It's the best resource I've seen.

### 2. Overextend themselves.

Many people make the mistake of purchasing a home beyond their means, making them house-poor.

Keep your housing costs at no more than 33% of your *gross income*.

My favorite personal finance tools to help you stay within your budget:

- [nerdwallet.com](http://nerdwallet.com)
- [mortgagecalculator.org](http://mortgagecalculator.org)
- [investopedia.com](http://investopedia.com)

They're all phenomenal resources.



## 4 WAYS PROFESSIONALS COST THEMSELVES THOUSANDS WHEN BUYING A HOME

### 3. Not considering the long-term.

Folks must consider whether this is a "starter" home or a "forever" home.

Starter homes are more modest and serve your basic needs. It doesn't have every amenity you dream of, but it's good enough for now.

"Forever" homes will meet your needs for many years to come. They provide room to grow in a neighborhood where you want to sink roots.

The biggest question you must ask yourself is how long you plan to live in the home. If it's fewer than 10 years, you'll want to go the "starter" home route; if it's more than 10, we're in "forever" territory.

Few things are more costly than buying a "forever" home and selling within five years with little equity when people really need a "starter" home.

You've overspent on your first home, probably not within your budget. You haven't been able to save more because you're house-poor and don't have much equity in the house. Now, you really need to tax yourself to get your next place. All because you didn't identify whether you needed a starter home or forever home.

It doesn't sound fun, does it?



## 4 WAYS PROFESSIONALS COST THEMSELVES THOUSANDS WHEN BUYING A HOME

### 4. Not shopping around for a mortgage.

Buyers often go to their bank and accept the first mortgage offer they receive w/o shopping around for better rates and terms. It might not seem like a big difference, but it will cost you tens, if not hundreds, of thousands of dollars over the life of the loan.

This is basic, but here are the differences between interest rates on a 30-year loan for a \$400,000 house with a 10% down payment:

- 6.25% - \$2,951/month
- 6% - \$2,893/month
- 5.75% - \$2,835/month

You may think, "\$100 per month or so is no big deal." But remember, we're playing the long game here. It's not \$100 here or there; it's \$100 monthly, month after month, year after year, decade after decade *with interest*. That \$100 per month compounds.

With our example on the left, over 30 years, the difference between the 6.25% and the 5.75% rate is nearly \$42,000 paid in interest.

I partner with a few trusted loan officers who work for direct mortgage lenders. These officers can choose from an entire marketplace of loan options that best serve you.

Where will you get the best loan from? Your bank, which offers you a few options, or a marketplace that will provide you with dozens of options?



## 4 WAYS PROFESSIONALS COST THEMSELVES THOUSANDS WHEN BUYING A HOME

### 5. BONUS - The Drip Drip Fund.

When you've found a place you love and have an offer accepted, we'll have the home inspected.

It's crucial to remember that home inspectors are there to thoroughly evaluate the property's condition, no matter how alarming it may seem. They will identify all issues related to the roof, foundation, electrical work, and heating and air conditioning. As a buyer, it's in your best interest to clearly understand the home's condition, which is precisely why a home inspection is necessary.

It's essential to take major issues with the home seriously and either renegotiate the terms of the home's purchase or even walk away from buying the place. It's well within your right to do that.

But the home will also have minor annoyances. It could have dated bathroom fixtures, ugly paint, or a leaky faucet.

We don't want to ask sellers to fix minor inconveniences. Only issues that impact you living in the home comfortably (like issues with a roof, foundation, or air conditioning unit would.)

That's why you'll have what I call the "Drip Drip Fund." If you're annoyed by the dripping faucet, you'll have money to fix it yourself.

The Drip Drip Fund ensures a smooth transition into your new home. Set aside \$1,000-2,000. You'll be making a lot of Target and Home Depot runs. Use the fund to address minor issues to prevent them from escalating into more extensive problems. Remember to treat yourself along the way!